

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 1267

USDOC FOR BEWT

E.O. 11652: GDS

TAGS: EEWT, UR, US

SUBJECT: BUSINESS FACILITATION MEETINGS

REF: (A) STATE 20973, (B) MOSCOW 1209, (C) MOSCOW 1139.
(D) MOSCOW 1010

SUMMARY: WE CONTINUE TO BELIEVE THAT WE SHOULD AS MATTER OF PRINCIPLE SEEK TO HOLD LEVEL HERE TO THAT OF DEPUTY MINISTER (MANZHULO) VICE THAT OF NEXT LOWER ECHELON, (ZINOV'YEV OR MEL'NIKOV), IN INTEREST OF MAINTAINING LONG TERM EFFECTIVENESS OF THIS INSTITUTION. COMMITMENTS FROM ZINOV'YEV -OR MORE LIKELY MEL'NIKOV - WOULD BE MORE DIFFICULT TO OBTAIN AND HAVE CONSIDERABLY LESS IMPACT ON SOVIET GOVERNMENT ORGANS. MOREOVER, IN LIGHT OF SERIES OF HARASSMENTS OF AMERICAN BUSINESSMEN AND FORCE "VOLUNTARY" RESIGNATION OF ONLY FSL IN USCO, WE BELIEVE THAT IT WOULD BE HIGHLY INAPPROPRIATE TO HOLD FORMAL MEETING NOW AND BE SILENT ABOUT THESE MATTERS INCLUDING MOST SERIOUS DEVELOPMENT, UNJUSTIFIABLE EXPULSION OF FSO KURSCH. EMBASSY SUBMITS RECOMMENDATIONS FOR ALTERNATIVE COURSE OF ACTION. END SUMMARY.

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1. WE APPRECIATE THE INTEREST EXPRESSED IN REFTTEL (A) IN EARLY RESUMPTION OF BUSINESS FACILITATION MEETINGS IN MOSCOW. AS WASHINGTON AGENCIES ARE AWARE, WE HAVE PERSISTENTLY PURSUED WITH SOVIET TRADE PERSONNEL HERE OUR INTEREST IN HAVING REGULAR MEETINGS AND HAVE MADE IT CLEAR THAT WE REGARD THIS NEW INSTITUTION AS ONE WHICH CAN MAKE AN IMPORTANT CONTRI- BUTION ON THE BASIS OF MUTUALITY TO OUR BUSINESS CONCERNS.

WE DO NOT BELIEVE, HOWEVER, THAT REFTEL (A) TAKES ADEQUATELY INTO ACCOUNT THE FULL RANGE OF ISSUES INVOLVED IN THE CURRENT SITUATION, AND WE FEAR IT WOULD SECURE THE BENEFIT OF AN EARLY MEETING AT A SUBSTANTIAL COST TO THE INSTITUTION ITSELF. FOR THIS REASON, WE WOULD LIKE TO REVIEW FOR THE BENEFIT OF CONCERNED WASHINGTON AGENCIES THE SITUATION AS WE SEE IT FROM MOSCOW, BOTH AS TO LEVEL AND PRESENT CIRCUMSTANCES.

2. LEVEL OF MEETING. REFTEL (A) STATES THAT (AMERICAN COUNTRIES SECTION CHIEF) ZINOV'YEV WOULD BE ACCEPTABLE SOVIET INTERLOCUTOR VICE DEPUTY MINISTER MANZHULO, SINCE ZINOV'YEV'S RANK CORRESPONDS MORE CLOSELY TO THAT OF DAD REICH. THIS IS AN ASSESSMENT WE WOULD QUESTION, IN LIGHT OF SMALL NUMBER OF US CABINET LEVEL AGENCIES AND PLETHORA OF SOVIET COUNTERPARTS (DEPUTY MINISTERS ARE NOT A SCARCE COMMODITY IN THE USSR), BUT WE DO NOT BELIEVE SUCH AN EFFORT TO COMPARE RANKS IS PARTICULARLY RELEVANT. IN ASCENDING ORDER OF IMPORTANCE WE ADVANCE FOLLOWING CONSIDERATIONS:

(A) TECHNICALLY, THE AGREEMENT TO MEET WAS ESTABLISHED AT REICH/MANZHULO LEVEL, AND MANZHULO DID MEET WITH US AND CHEERFULLY VOLUNTEERED TO MEET AGAIN FOR AN UNLIMITED DISCUSSION (WHICH DID NOT, HOWEVER, TRANSPIRE). HE AND HIS DEPUTY MINISTERIAL COUNTERPARTS ARE IN FACT READILY AVAILABLE TO OTHER EMBASSIES AT SIMILAR LEVEL, NOT TO MENTION "SENIOR" AMERICAN REPRESENTATIVE AT CONFIDENTIAL

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TRADE AND ECONOMIC COUNCIL. FURTHERMORE, WE DO NOT BLUSH TO STATE THAT USA SHOULD EXPECT AS GOOD TREATMENT AS ITALY OR FRANCE.

(B) ONCE WE HAVE AGREED TO MEET AT LEVEL BELOW MANZHULO, DESPITE AIRY STATEMENT BY MAL'NIKOV THAT HE WOULD BE AVAILABLE TO TAKE ON QUESTIONS WE COULD NOT SOLVE, WE COULD NOT EXPECT TO SEE MANZHULO OR ANY SOVIET DEPUTY MINISTER OF FOREIGN TRADE AS OUR PRINCIPAL DISCUSSANT IN THE FUTURE. DECISION TAKEN NOW WILL CLEARLY SET A PRECEDENT WHICH OTHERS WILL FOLLOW, PARTICULARLY IN LIGHT OF SOVIET THRUST CITED REFTEL (D).

(C) ZINOV'YEV DOES NOT HAVE THE CLOUT IN THE SOVIET GOVERNMENT OF A DEPUTY MINISTER. IN MFT, ITSELF, MANZHULO LOOKS "DOWN" TO CUSTOMS, PROTOCOL, ETC. FURTHERMORE, LIKE SITUATION IN WASHINGTON, WE DO NOT DEAL WITH A MULTI-AGENCY BODY IN THESE TALKS, BUT SIMPLY WITH MFT REPRESENTATIVES. MANY OF THE PROBLEMS AFFECTING OUR BUSINESSMEN INVOLVE OTHER SOVIET AGENCIES WHICH DO NOT PARTICIPATE IN THESE MEETINGS. OUR CHANCES OF REACHING THEM ARE DIMINISHED AS WE DESCEND THE SCALE OF RANK IN MFT. (INCIDENTALLY, IF WE ARE

WILLING TO COUNT THIS LEVEL AS APPROPRIATE, THEN OUR MEETING
WITH CHIEF OF PROTOCOL RAKHMANIN SHOULD BE VIEWED AS A SECOND
BUSINESS FACILITATION MEETING IN MOSCOW, FOR RAKHMANIN HAS
AT LEAST THE SAME RANK AS ZINOV'YEV.) WHILE WE WOULD NOT
EXAGGERATE IMPORTANCE OF INDIVIDUAL VIEWS, ZINOV'YEV
IS PERSONALLY A LESS SYMPATHETIC DISCUSSANT THAN
MANZHULO. FOR EXAMPLE, ON QUESTION OF MULTILATERAL
ENTRY VISAS, HE TOLD US FLATLY THAT THERE IS NO
NEED AT ALL FOR SUCH VISAS FOR SOVIET "BUSINESSMEN" IN U.S.,
EXCEPT AT TOP LEVEL. ZINVO'YEV IS AN AUTHENTIC
SOVIET FOREIGN TRADER WITH GREAT EXPERICNE AND
UNUSUAL CANDOR,BUT WE HAVE NEVER HAD ANY REASON TO
DATE TO VIEW HIM AS SYMPATHETIC TO THE INTERESTS
OF OUR BUSINESSMEN. HE FREQUENTLY TELLS US THAT OUR
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TRADE CAN DESCENT TO NAUGHT AS LONG AS WE DISCRIMINATE
AGAINST SOVIET EXPORTS, AND WE THINK HE MEANS IT.

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(D) WHILE ZINOV'YEV IS NO DOUBT A SENIOR FOREIGN TRADER
OF ACKNOWLEDGED SKILL, WE HAVE NO ASSURANCE THAT WE WILL
GET HIM AND NOT HIS DEPUTY, MEL'NIKOV. LATTER CARRIES
ON NINETY-FIVE PERCENT OF TELEPHONE TRAFFIC WITH US
(ZINOV'YEV HAS NEVER CALLED EXCEPT WHEN HIS OWN TRANSIT

VISA WAS CONCERNED) AND IT IS MEL'NIKOV WHO ATTENDS USCO FUNCTIONS FOR THE MFT. IN TELEPHONE CONVERSATION DESCRIBED IN REF (D), MEL'NIKOV SAID ONLY THAT "OFFICE LEVEL" WOULD BE APPROPRIATE, AND HE ALMOST CERTAINLY HAD HIMSELF IN MIND. AS FAR AS DEALING WITH MEL'NIKOV IS CONCERNED, WE HAVE NEVER HEARD PATOLICHEV, MANZHULO, SUSHKOV OR OTHERS MENTION HIM, WHEREAS THEY DO CITE ZINOV'YEV, WHO IS PRESENT AT MOST SERIOUS TRADE DISCUSSIONS. AS DEPARTMENT IS AWARE, WE HAD GREAT DIFFICULTY ARRANGING RECENT LONDON MARINE INSURANCE NEGOTIATIONS - THE ONE AREA WHERE MEL'NIKOV DIRECTLY SUPPORTS A DEPUTY MINISTER BECAUSE UK WAS RELUCTANT TO GIVE MEL'NIKOV A VISA, WHICH HE FINALLY GOT DUE TO PERSISTENT INTERVENTION OF THIS EMBASSY. WE CAN ONLY SPECULATE ABOUT MEL'NIKOV'S PRIMARY MISSION. IT IS CLEAR, HOWEVER, THAT, ONCE WE HAVE AGREED TO DROP DOWN BELOW MANZHULO, THERE IS NO EASY WAY WE CAN INSIST ON CONFIDENTIAL

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ZINOV'YEV VICE MEL'NIKOV, SINCE THIS PUTS ISSUE AD HOMINEM AND WILL LEAD INEVITABLY TO BAD FEELINGS.

3. RECENT CIRCUMSTANCES. THE FOREGOING ANALYSIS WOULD APPLY UNDER ANY CIRCUMSTANCES AND INDEED RESPONDS TO CONSISTENT SOVIET STRATEGY, MENTIONED REFTEL D, TO KEEP DOWN LEVEL OF OUR CONTACTS WITH SOVIET GOVERNMENT. PRESENT CIRCUMSTANCES, HOWEVER, ARE ANYTHING BUT NORMAL.

BEGIN FYI.

THERE HAVE BEEN A NUMBER OF SOVIET ACTIONS AGAINST US OFFICIALS (FSO KURSCH) AND BUSINESSMEN, AS WELL AS AGAINST THE ONLY SOVIET PROFESSIONAL LEVEL EMPLOYEE IN USCO. IN KURSCH WEHAVE LOST ONE OF THE MOST VALUABLE MEMBERS OF OUR COMMERCIAL TEAM, THROUGH NO FAULT OF HIS OWN, A SUBSTANTIAL BLOW IN VIEW OF DISEQUILIBRIUM IN US AND SOVIET COMMERCIAL STAFFING PATTERN. MOREOVER, THE SOVIETS HAVE AGAIN EGREGIOUSLY OBSTRUCTED ENTRANCE TO USCO, DESPITE OUR REMONSTRATION ON THE SCENE (REF (B)). THEY HAVE SUBJECTED ON U.S. BUSINESSMAN TO A HUMILIATING 90 MINUTE "CUSTOMS" SEARCH AND DENIED ANOTHER A VISA ON TWO OCCASIONS (REF (C)). THEY HAVE HOUNDED AN ACCREDITED U.S. BUSINESSMAN OUT OF THE COUNTRY AFTER HAVING APPARENTLY TRIED TO COERCE HIM INTO INTELLIGENCE ACTIVITIES (SEPTTEL). THEY HAVE HARASSED AN AMERICAN EXPRESS EMPLOYEE WITH THE SAME TRUMPED-UP "DRUNKEN DRIVING" TECHNIQUE (SEPTTEL) THEY USED ON A PAN AMERICAN EMPLOYEE IN 1976. THEY HAVE FORCED OUR ONLY PROFESSIONAL LEVEL LOCAL EMPLOYEE IN USCO TO SUBMIT A "VOLUNTARY" RESIGNATION AFTER WE TRIED IN VAIN TO GET HER TO FSL TRAINING SESSION IN WARSAW. (MOREOVER, FOR THE

RECORD, SOME MONTHS AGO THEY FORCED CHASE MANHATTAN TO
RECALL A VALUABLE RUSSIAN-SPEAKING AMERICAN CITIZEN, WHOSE
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EXCELLENT COMMAND OF RUSSIAN AND GOOD CONTACTS WITH SOVIET
CITIZENS HAD COME TO BOTHER THEM.) THERE IS THUS A PARADE
OF DISTURBANCES FROM SOVIET SIDE WHICH IS AS OMNIOUS AS IT
IS DEPRESSING. WE NOTE FROM REFTEL (A) THAT WE ARE APPARENTLY
TO MEET WITH THE SOVIETS AND TO PASS OVER THE MOST
SERIOUS CASE, THE EXPULSION OF KURSCH, IN SILENCE. WE ARE
FULLY AWARE THAT THIS CASE HAS BEEN DISCUSSED IN OTHER
CHANNELS. WE HAVE NOT, IN FACT, MENTIONED IT EVEN
INFORMALLY IN CHANCE DISCUSSIONS WITH SOVIET TRADE OFFICIALS.
NEVERTHELESS, WE DO NOT BELIEVE THAT WE CAN HOLD A FORMAL
SESSION ON BUSINESS FACILITATION ISSUES WITH SOVIET MINISTRY
OF FOREIGN TRADE AND SIMPLY IGNORE THIS CASE. WE COULD
HARDLY MENTION THE OTHER RECENT CASES AND BE SILENT ABOUT
KURSCH. IN FACT, IF THIS IS TO BE THE CASE, WE BELIEVE IT
WOULD BE FAR BETTER NOT TO MEET AT THE PRESENT TIME, EVEN
IF THE SOVIETS WERE TO PRODUCE MANZHULO - AS WELL THEY
MIGHT IF WE WERE TO STICK TO OUR GUNS - THAN TO GLOSS OVER
A PROBLEM OF THIS NATURE. END FYI.

4. IN VIEW OF THE FOREGOING, AND ON ASSUMPTION THAT WE
ARE NOT NOW TO REFER TO KURSCH IN TRADE DISCUSSIONS, WE ASK
THAT CONCERNED WASHINGTON AGENCIES REVIEW FOLLOWING
RECOMMENDATIONS BEFORE WE TAKE ANY FURTHER ACTION HERE:

(A) WE WILL TAKE NO ACTION IN MOSCOW ABOUT A NEXT
BUSINESS FACILITATION MEETING. (NOTE IN THIS CONTEXT
THAT CONSULAR TALKS ARE TO TAKE PLACE HERE, AND
QUESTION OF MULTIPLE ENTRY VISAS WILL BE RAISED
AGAIN IN THAT FORUM.)

(B) MKRTUMOV SHOULD BE INFORMED OF POSTPONEMENT OF SCHEDULE
MEETING WITH DAS REICH. IT WOULD BE HELPFUL IF HE COULD
BE INFORMED AT SAME TIME, THOUGH WITHOUT OVERT LINKAGE,
THAT WE PRESUME DEPUTY MINISTER MANZHULO WILL BE MEETING
WITH OUR REPRESENTATIVES IN MOSCOW AT A TIME OF HIS
CONVENIENCE.
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(C) HARASSMENT OF OUR BUSINESSMEN HERE WILL BE PROTESTED
THROUGH DIPLOMATIC CHANNELS, WITH OTHER SACTIONS
RECOMMENDED OR TAKEN AS APPEARS APPROPRIATE IN EACH

CASE.

(D) DEPARTMENT SHOULD GIVE CONSIDERATION TO RAISING ALL OF THESE PROBLEMS OF HARASSMENT, INCLUDING KURSCH CASE, AT APPROPRIATE LEVEL IN TRADE CONTEXT IF THEY CONTINUE. TO DO OTHERWISE COULD PERMIT A SITUATION TO DEVELOP WHICH WOULD HAVE A SERIOUSLY NEGATIVE IMPACT ON OUR MUTUAL COMMERCIAL RELATIONS AND BE VERY DISTURBING TO RESIDENT BUSINESS COMMUNITY.

(E) MEANWHILE WE SHOULD BE VERY CAUTIONS ABOUT ACCEDING TO ANY SOVIET REQUESTS FOR BUSINESS FACILITATION UNTIL THE PRESENT ENVIRONMENT IMPROVES, AND THEN ONLY ON BASIS OF PARITY.
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